

Statement of Estimated State Revenue Impact

Date: March 23, 2011

Bill Number: S.B. 690

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Committee Requesting Impact: Senate Finance Committee

Bill Summary

A bill to reenact Section 12-6-60, of the Code of Laws of South Carolina, 1976, relating to determinations for income tax and corporate license fee purposes.

REVENUE IMPACT ^{1/}

This bill is not expected to affect state General Fund income tax revenue or corporation license fee revenue in FY2011-12.

Explanation

Act 157 of 2005 provided for the repeal of the Section 12-6-60 for tax years beginning five years after the date of enactment. Act 157 was enacted June 16, 2005 and applied for taxable years beginning January 1, 2006. This bill would reenact Section 12-6-60 in its original form for another five taxable years until January 1, 2016. Act 157 defines the treatment of nexus for distribution facilities in the state. Nexus is considered to be a situation in which a business has a presence in a state where the selling of goods and services takes place and is responsible for remitting taxes for the privilege of doing business in the state. Section 12-6-60 would not allow a distribution facility to be considered a fixed place of business in South Carolina for the purposes of nexus. A distribution facility is defined in Section 12-6-3360 as an establishment where shipments of tangible personal property are processed for delivery to customers. The term does not include an establishment where retail sales of tangible personal property are made to retail customers on more than twelve days a year except for a facility which processes customer sales orders by mail, telephone, or electronic means, if the facility also processes shipments of tangible personal property to customers and if at least seventy-five percent of the dollar amount of goods sold through the facility are sold to customers outside of South Carolina. Because a distribution facility meeting these criteria would not have nexus in the state, there would be no basis for the levying of income taxes on the establishment or the taxpayer who owns or leases the establishment. Since this bill would be a continuation of existing legislation and would not change the revenue forecast of the Board of Economic Advisors, this bill, therefore, is not expected to affect General Fund revenue in FY2011-12. This act takes effect January 1, 2011.



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^{1/} This statement meets the requirement of Section 2-7-71 for a state revenue impact by the BEA, or Section 2-7-76 for a local revenue impact of Section 6-1-85(B) for an estimate of the shift in local property tax incidence by the Office of Economic Research.